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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended MARCH 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 0-3565

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NUCORP, INC.
(Exact name of Registrant as specified in its Charter)

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Delaware	34-1010356
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Two North Riverside Plaza, Chicago, Illinois	60606
(Address of principal executive offices)	(Zip Code)

(312) 454-0100
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

7,892,452 shares of Common Stock, $.05 par value as of April 30, 1992.

NUCORP, INC. AND SUBSIDIARIES

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NUCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 31, 1992 AND DECEMBER 31, 1991
(Amounts in thousands except share and per share amounts)
(Unaudited)

	March 31, 1992	December 31, 1991
ASSETS		
Invested assets:		
Fixed maturities	$130,343	$131,049
Equity securities	1,311	1,361
Short-term investments	24,772	20,665
	156,426	153,075
Cash and cash equivalents	10,189	9,952
Premiums receivable, net	2,344	2,148
Accrued interest	1,415	1,366
Deferred policy acquisition costs	905	948
Oil and gas property and equipment, net	3,241	3,426
Excess cost over net assets acquired, net	22,693	22,842
Other assets	4,001	3,465
	$201,214	$197,222
LIABILITIES		
Reserves:		
Unpaid losses and loss adjustment expenses	$ 74,885	$ 75,276
Unearned premiums	7,920	7,499
	82,805	82,775
Reinsurance payable	4,495	4,372
Long-term debt	46,214	46,352
Other liabilities	6,693	6,591
Total liabilities	140,207	140,090
STOCKHOLDERS' EQUITY		
Preferred stock, par value $.01 per share, 5,000,000 authorized; none issued and outstanding	–	–
Common stock, par value $.05 per share, 20,000,000 shares authorized; issued 7,716,493 at March 31, 1992 and 7,480,338 at December 31, 1991	386	374
Additional paid-in capital	45,830	43,543
Retained earnings from August 1, 1986 (date of reorganization)	15,009	13,399
Unrealized gain on equity securities	17	51
Treasury stock (39,751 common shares, at cost)	(235)	(235)
Total stockholders' equity	61,007	57,132
	$201,214	$197,222

The accompanying notes are an integral part of these financial statements.

NUCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND 1991
(Amounts in thousands except per share amounts)
(Unaudited)

	1992	1991
Revenues:		
Insurance:		
Net earned premiums	$ 3,749	$ 4,204
Net investment income	3,197	3,325
Realized investment gains	33	88
Oil and gas	825	1,164
Corporate investment income	126	150
	7,930	8,931
Expenses:		
Insurance:		
Net losses and loss adjustment expenses	2,275	2,502
Net commissions and brokerage	69	374
Other acquisition and operating expenses	825	961
Interest expense	929	1,419
Amortization expense	149	404
Oil and gas:		
Production, exploration and gas gathering and processing	734	568
Depletion and depreciation	187	234
General and administrative	30	27
Corporate expense	293	319
	5,491	6,808
Income before income taxes	2,439	2,123
Income taxes	829	722
Net income	$ 1,610	$ 1,401
Weighted average common and common equivalent shares outstanding	10,608	10,588
Net income per share	$ .17	$ .16

The accompanying notes are an integral part of these financial statements

NUCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND 1991
(Amounts in thousands)
(Unaudited)

	Three Months Ended March 31,	
	1992	1991
OPERATING ACTIVITIES		
Net income	$ 1,610	$ 1,401
Adjustments to reconcile net income to net cash provided by operations:		
Depletion, depreciation and amortization	336	638
Federal income tax provision offset by net operating loss carryforwards	780	679
Amortization of bond discount	(391)	(409)
Realized investment gains, net	(33)	(80)
Increase (decrease) in reserve for unearned premiums	421	(948)
(Decrease) increase in reserve for unpaid losses and loss adjustment expenses	(391)	853
Changes in operating assets and liabilities:		
Increase in premiums receivable	(196)	(580)
Increase (decrease) in reinsurance payable	123	(1,071)
Net increase in other assets and liabilities	(421)	(1,048)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,838	(573)
INVESTING ACTIVITIES		
Proceeds from investments sold, matured or repaid	8,833	5,955
Cost of investments purchased	(7,703)	(14,775)
Decrease (increase) in short-term investments	(4,107)	8,164
Capital expenditures	(5)	–
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(2,982)	(656)
FINANCING ACTIVITIES		
Payment of long-term debt	(138)	–
Deferred issuance costs	(7)	–
Exercise of warrants	1,526	345
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,381	345
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	237	(884)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	9,952	9,166
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 10,189	$ 8,282
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	$ 893	$ 2,358
Income taxes	$ 75	$ 442

The accompanying notes are an integral part of these financial statements.

NUCORP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1992
(Unaudited)

1. BASIS OF PRESENTATION:

These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in Nucorp, Inc.'s (the "Company") 1991 Annual Report on Form 10-K. The following Notes to Condensed Consolidated Financial Statements highlight significant changes to the Notes included in the Annual Report on Form 10-K and such interim disclosures as required by the Securities and Exchange Commission. The accompanying unaudited Condensed Consolidated Financial Statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. All such adjustments are of a normal and recurring nature. The financial results for interim periods may not be indicative of financial results for a full year. Certain balances in the 1991 Condensed Consolidated Financial Statements have been reclassified to conform with the classifications presented in the 1992 unaudited Condensed Consolidated Financial Statements.

2. INVESTED ASSETS:

United Capitol Insurance Company's ("United Capitol") investment portfolio consists of: (i) $130.3 million of fixed maturity investments (with a market value of $134.6 million at March 31, 1992); (ii) $1 million of redeemable preferred stock and $251,000 of common stock; and (iii) $24.8 million of short term investments and cash.

3. WARRANTS:

The Company has received approximately $1,525,400 from the exercise of 153,329 Series B Warrants and 165,652 Series C Warrants in the first three months of 1992.

On May 14, 1992, the Board of Directors (the "Board") of the Company accelerated the expiration dates of its Series B and Series C Warrants (collectively, the "Warrants") to July 14, 1992 from October 31, 1992 and June 30, 1993, respectively. The Board accelerated the expiration of the Warrants to guarantee the receipt of the warrant proceeds prior to the presently proposed closing of the acquisition of Surewest Financial Corp. ("Surewest"). All unexercised Warrants expire at the close of business on July 14, 1992.

NUCORP, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
March 31, 1992

Following is a discussion of the interim results of operations and financial condition of the Company for the three months ended March 31, 1992 compared to the corresponding period in 1991.

OVERVIEW

Nucorp, Inc. (the "Company" or "Nucorp") operates in two business segments: property and casualty insurance through United Capitol Holding Company's ("UCHC") wholly owned subsidiary, United Capitol Insurance Company ("United Capitol") and oil and gas production, exploration, and development through the Company's wholly owned subsidiaries, Pin Oak Petroleum, Inc. ("Pin Oak") and NI Acquisition Corp. ("NI").

The property and casualty insurance industry has been historically cyclical and characterized by periods of high premium rates and shortages of underwriting capacity ("hard markets") followed by periods of severe competition and excess underwriting capacity ("soft markets"). As an excess and surplus lines commercial insurer, United Capitol follows, rather than leads the insurance market.

During the current "soft market," United Capitol's written premiums have declined principally due to a reduction in the volume of policies written, as inadequately priced risks are refused, rather than due to a reduction in the rates being charged for the same exposures. In addition, United Capitol's writings of general liability coverage for asbestos abatement contractors continue to be eroded by the contraction of the asbestos abatement industry and by the continuing proliferation of competing insurers offering occurrence coverage on more liberal terms. Management believes the current market conditions in general and specifically with regard to the asbestos abatement liability business will continue throughout 1992. Further, management anticipates that the erosion of United Capitol's writings of general liability coverage on a claims-made form for asbestos abatement contractors, which historically has produced low loss ratios, will adversely affect United Capitol's loss ratio in 1992 compared to 1991.

The oil and gas industry has experienced a decline in both oil and gas prices from the higher prices a year ago. In addition to receiving lower prices, the oil and gas segment has lower production volume and increased production costs contributing to the decline in earnings for this segment in 1992 over the same period in 1991.

RESULTS OF OPERATIONS - THREE MONTHS ENDED MARCH 31, 1992 VS. 1991

Pretax income of the Company was $2.4 million for the first three months of 1992 compared to $2.1 million for the first three months of 1991. The property and casualty insurance operations contributed $2.7 million to pretax income in 1992 compared to $1.9 million in 1991. The oil and gas segment recorded a pretax loss of $126,000 in 1992 compared to pretax income of $335,000 in 1991. Corporate expenses exceeded corporate investment income by $167,000 and $169,000, respectively, in 1992 and 1991. The results of operations for each business segment of the Company are discussed below.

Property and Casualty Insurance

The growth in net written premiums experienced at the end of 1991 continued in the first quarter of 1992. The increase in submissions activity and net written premiums is due to strong broker support since United Capitol received its A- (Excellent) rating from A.M. Best Company, Inc. in May, 1991. Net earned premiums, which

reflect the earnings of net written premiums ratably over the underlying policy terms, declined 11% in the first three months of 1992 compared to the corresponding period in 1991. The decrease in net earned premiums reflects the effect of prevailing competitive conditions, particularly in the asbestos abatement liability business on net written premiums.

Net investment income, inclusive of realized investment gains, net, was $3.2 million in the first three months of 1992 compared to $3.4 million in the first three months of 1991. The decrease is attributable to the effect of declining interest rates received on investments.

Net losses and loss adjustment expenses (which include actual claim payments and changes in the estimated liability for future reported and unreported claims) were $2.3 million in 1992 or 60.7% of net earned premiums compared to $2.5 million or 59.5% of net earned premiums in the first three months of 1991.

Net commissions and brokerage expenses expressed as a percentage of net written premiums decreased to 2.3% in 1992 from 8.5% in 1991. During the first quarter of 1992, the Company recorded a reinsurance contingent commission income adjustment of $200,000. No such adjustment was recorded in the first quarter of 1991. Excluding the effect of the reinsurance contingent commission income adjustment, net commissions declined 28% between 1992 and 1991, and net commissions paid decreased to 7.1% of net written premiums in 1992 from 8.5% in 1991.

Other acquisition and operating expenses, comprised largely of personnel costs and other relatively fixed expenses which do not vary directly with premium volume, were $825,000 for the first three months of 1992 compared to $1 million for the same period in 1991. This decline was due primarily to lower professional fees in 1992.

The statutory combined ratio, which reflects underwriting results but not investment income, is the traditional measure of underwriting performance of a property and casualty insurer. A combined ratio of less than 100% indicates underwriting profitability while a combined ratio in excess of 100% indicates an underwriting loss. The combined ratio is the sum of the loss ratio (losses and loss adjustment expenses incurred divided by net earned premiums) and the expense ratio (underwriting expenses divided by net written premiums). The property and casualty industry combined ratio was 108.8% for the year ended December 31, 1991.

The statutory combined ratio for United Capitol was 81.4% in the first three months of 1992 compared to 96.7% in the corresponding period in 1991. The increase in the loss ratio component to 60.7% from 59.5% was more than offset by a decrease in the expense ratio to 20.7% in 1992 from 37.2% in 1991. The expense ratio decrease reflects the impact of reduced operating expenses in relation to an increased net written premium base and the recording of $200,000 of reinsurance contingent commission income. Excluding the effect of the reinsurance contingent commission income adjustment, United Capitol's expense ratio was 25.5%, its combined ratio was 86.2% and its underwriting income was $410,000.

Interest expense decreased to $929,000 in 1992 compared to $1.4 million in 1991. The decrease in interest expense is attributable to a lower average outstanding loan balance in 1992 compared to 1991 and lower interest rates incurred on the outstanding debt.

Amortization expense decreased to $149,000 in the first three months of 1992 compared to $404,000 for the same period in 1991. Amortization expense in 1991 included amortization of excess cost over net assets acquired and amortization of other intangible assets associated with the acquisition of UCHC. Amortization expense in 1992 only includes amortization of excess cost over net assets acquired. Excess cost over net assets acquired is amortized over 40 years. Other intangible assets were amortized over twelve months from the date of acquisition of UCHC.

Oil and Gas Operations

Oil and gas revenues decreased 29.1% in 1992 from 1991 reflecting (i) the impact of decreased oil production coupled with lower oil prices and (ii) decreased gas production compounded by depressed gas prices.

The increase in oil and gas production expenses of 29.2% in 1992 from 1991 is attributable to a general increase in operating costs and increased operator overhead charges.

Depletion expense for the first three months of 1992 decreased 20.1% compared to the same period in 1991 as a result of decreased production and a lower valuation of the Company's of oil and gas reserves due to current economic conditions.

Corporate

Corporate investment income decreased 16.0% to $126,000 in 1992 from $150,000 in 1991. The decrease in investment income is a result of lower interest rates received by the Company on its investments.

FINANCIAL CONDITION

Corporate

The increase in the number of outstanding shares of the Company's common stock is a result of the issuance of stock in connection with the exercise of 153,329 Series B Warrants and 165,652 Series C Warrants during 1992. The increase in additional paid-in capital was attributable to the issuance of the Company's common stock and the recognition of the tax benefit of net operating tax loss carryforwards arising from periods prior to the reorganization.

LIQUIDITY AND CAPITAL RESOURCES

As a holding company, Nucorp derives cash from: its subsidiaries through dividend and income tax sharing payments; the issuance of common stock; the exercise of warrants; and interest income on invested assets held by the Company. The Company needs funds for general operating purposes, to finance acquisitions and, through NI, to service its long-term debt obligation incurred in connection with the acquisition of UCHC. Management believes the Company's current liquidity, together with funds available from subsidiaries and other sources, is adequate to meet its cash requirements for general corporate purposes in 1992. Additional funds for acquisition activities may be generated from proceeds of stock offerings, exercised warrants, acquisition indebtedness or some combination thereof.

NI's sources of funds are dividends and federal income tax sharing payments from UCHC. UCHC's tax sharing payments approximate the regular federal income tax rate of 34%. The funds dividended by the insurance operations are restricted pursuant to the credit agreement for use in servicing the debt incurred in connection with the acquisition of UCHC.

Within the insurance operations, United Capitol derives liquidity from net premium collections, reinsurance recoveries and investment earnings and uses these funds to pay claims and operating expenses and to make dividend and income tax sharing payments to UCHC and ultimately NI. Management believes the cash and short-term investments of United Capitol are sufficient to meet the cash requirements of the insurance operations including dividend and tax sharing payments. Management further believes total invested assets are sufficient in the aggregate and have suitably scheduled maturities to satisfy all policy claims and other operating liabilities of United Capitol

As of March 31, 1992, United Capitol's statutory policyholders' surplus was $68.1 million and its net premiums to statutory policyholders' surplus ratio was .2 to 1. Industry and regulatory guidelines suggest the ratio of a property and casualty insurer's net written premiums in the last twelve months to statutory policyholders' surplus not exceed 3 to 1 (NI's loan agreement limits this ratio further to 2 to 1). Management believes that United Capitol's statutory surplus is more than sufficient to support its current production level and does not anticipate any need to raise additional capital for United Capitol in the foreseeable future. Should United Capitol's income tax sharing payments and dividends, which are limited as to payment without prior approval by the Department of Insurance of Wisconsin, not be sufficient to cover future debt service requirements, United Capitol may request permission from the Wisconsin Department to pay additional dividends. In light of United Capitol's substantial capital in relation to its net written premiums, management further believes that permission to pay additional dividends would be granted provided such dividends do not materially reduce United Capitol's policyholders' surplus.

There are no restrictions with respect to Pin Oak Petroleum, Inc.'s ("Pin Oak") cash flows and the Company has the ability to transfer funds from Pin Oak as needed. Pin Oak's $5.7 million cash position at March 31, 1992, along with ongoing positive cash flows, are anticipated to be utilized for corporate expenses and the Company's acquisitions of other businesses in the future.

On March 25, 1992, the Company through its wholly owned subsidiary, SI Acquisition Corp., entered into a stock purchase agreement to acquire Surewest Financial Corp. ("Surewest"). Surewest, an insurance holding company, specializes in the underwriting of small fidelity and non-contract surety bonds through its wholly owned subsidiary, Western Surety Company. The consummation of the acquisition is subject to the satisfaction of several conditions, including financing, due diligence, approval by certain state insurance regulatory authorities, termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and there being no material adverse changes to the business of Surewest through the date of closing. There can be no assurance that any or all of the conditions to the acquisition agreement will be met and that the acquisition will be consummated.

In connection with the funding of the acquisition of Surewest, the Company announced on May 14, 1992 the acceleration of the expiration of its Series B and Series C Warrants (collectively, the "Warrants"). The expiration dates of the Series B and Series C Warrants have been accelerated to July 14, 1992 from October 31, 1992 and June 30, 1993, respectively. The expiration of the Warrants was accelerated in order to guarantee the receipt of the proceeds prior to the presently proposed closing of the Surewest acquisition.

NUCORP, INC. AND SUBSIDIARIES

PART II - OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

(11) Earnings per share computation.

(b) Reports on Form 8-K.

Form 8-K dated March 25, 1992, regarding the purchase agreement among Nucorp, Inc., SI Acquisition Corp. and Surewest Financial Corp.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

NUCORP, INC.
(Registrant)

Arthur A. Greenberg
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

James J. Patterson
Vice President and Controller
(Principal Accounting Officer)

Date: May 14, 1992

EXHIBIT 11

NUCORP, INC. AND SUBSIDIARIES
EARNINGS PER SHARE COMPUTATION
FOR THE PERIODS ENDED March 31, 1992 AND 1991
(Amounts in thousands except share and per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Net income as reported	$ 1,610	$ 1,401
Reduction of interest expense, net of income taxes[1]	184	306
Total	$ 1,794	$ 1,707
Shares:		
Average shares outstanding	7,462,465	7,387,165
Additional shares from assumed warrant exercise over 20% limit of shares outstanding[2]	3,145,218	3,200,574
Total shares outstanding for calculation	10,607,683	10,587,739
Earnings per share based on:		
Average common shares outstanding	$ 0.22	$ 0.19
Average common and common equivalent shares outstanding	$ 0.17	$ 0.16

(1) Represents assumed interest expense savings, net of income taxes, on proceeds from exercise of warrants in excess of proceeds used to purchase 20% of the ending outstanding shares of common stock.

(2) Shares assumed outstanding under the treasury stock method representing the additional shares to be issued if outstanding warrants were exercised and the proceeds used to purchase 20% of the outstanding shares.